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ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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HIGHLIGHTS OF BUSINESS IN SEPTEMBER

Recovery from the summer low was interrupted by strikes in the key coal and steel industries. In both, pensions were the central issue. The coal miners left the mines in mid-September after some of the operators refused payments to the welfare fund. The steel workers went out at the end of the month when management refused to accept the recommendation of the President's Fact Finding Committee for pensions without worker contributions. In the latter case, both sides quickly maneuvered themselves into "no compromise" positions, opening the door to endless speculation about how long the strike might last.

Production and Employment Maintained

Despite the coal strike production was well maintained through September, most of the important coal users having accumulated stockpiles in the early part of the year. Steel production remained at about 85 percent of capacity through the month; automobile production continued at a near-record level of 620,000 vehicles; and electric power output maintained a narrower, 2 percent margin over 1948.

Both employment and unemployment were off seasonally in September as over a million young workers returned to school. Despite the loss in available labor force, nonagricultural employment retained most of the large gain recorded in August. Unemployment dropped more than 300,000 to 3,350,000. The decline continued throughout the month, with unemployment insurance claims falling about 50,000 per week.

Manufacturers' Sales Up, Inventories Down

Manufacturers' sales recovered sharply during August, rising by distinctly more than the usual seasonal increase from July, to a total of $17.2 billion. The pickup was stronger in the durable than in the nondurable goods industries, with the greatest improvement occurring in the nonferrous metals.

Manufacturers' inventories were reduced sharply as wholesalers and retailers began to stock up for the Christmas season. The decline of $600 million was largely offset by increases of $350 million in retail and $200 million in wholesale inventories. Seasonally adjusted, however, total inventories were down about $450 million — or nearly $5.5 billion at an annual rate. Hence, the August recovery had not yet given effect to the cessation of inventory liquidation.

Prices and Retail Trade Steady

Prices held steady during the month of September. Wholesale prices showed little change, with a small decline in prices of farm products offsetting slight increases in other commodities. Latest retail prices show similar stability at the level prevailing since the moderate decline of last winter.

Retail trade continued to show moderate improvement. Total retail sales in August were slightly above July. Allowing for price changes, physical volume of goods moving to consumers was somewhat larger than in 1948. Department store sales, seasonally adjusted, were up two points in August to 284 percent of the 1935-39 average. Preliminary data indicate another gain of about one percent in September.

Construction Strong

New construction activity had been running slightly behind 1948, but September brought a new 1949 peak of $1.9 billion, equal to September, 1948. An outstanding recent development was the advance in private home building. The number of new housing starts reversed the usual seasonal decline in August and rose again in September to a high of 100,000. Unless the steel strike interferes, fall home building will probably exceed that of 1948.

International Trade and Finance

Two significant developments in international economic affairs took place in September. First, Great Britain devalued the pound sterling from $4.03 to $2.80, a reduction of 30.5 percent. Some 25 other countries quickly followed with changes designed to adjust their currencies to the new pound-dollar relationship. Key countries, like England, France, and Italy, then relaxed import controls to permit a freer exchange of goods. (Effects are discussed on page 2 of this issue.)

Second, the Reciprocal Trade Agreements Act was passed. In signing the Bill, President Truman indicated it would be used to further the reduction of trade barriers wherever possible, thus conveying assurance to other countries that barriers would not be built up to offset the devaluation.

Special feature: AGRICULTURAL OUTLOOK · By L. H. Simerl · Page 8

ILLINOIS BUSINESS REVIEW

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Devaluation Furor

The furor over devaluation has created a feeling of uncertainty as to the future of foreign trade and its effects upon our economy.

As background, it may be pointed out that throughout the postwar period Great Britain had been preserving controls designed to protect or promote its general economic welfare. In so doing, it prolonged the boom and maintained a degree of full employment never approached in the interwar period. Gradually, as production expanded, the situation began to change from one in which imports were needed to offset shortages arising from war dislocations and destruction to one in which import demands were stimulated by lower prices here and in other dollar areas.

Still, it was neither living beyond their incomes nor price competition that produced the recent emergency. In 1948, the United Kingdom had balanced its international account; there were continuing dollar deficits, but these were offset by net exports to other areas. Then, in the spring of 1949, there was a heavy drain of gold and dollar reserves. Among the factors responsible were payments to holders of the "blocked sterling balances," a form of wartime indebtedness; additional capital exports, for investment in some areas that could not obtain funds elsewhere on reasonable terms; and laxity in the controls on trade and capital movements. Also contributing was the recession in this country, which curtailed our imports.

Further losses of dollar reserves could have been avoided by tightening and extending controls, though there would have been increasing strain on the control mechanisms. Rejection of this alternative in favor of devaluation represented a substantial reversal of policy on prices and living standards.

The purpose of devaluation was to bring a better balance between the supply and demand for foreign exchange by reducing the incentive to import and increasing the incentive to export. Immediately, it would relieve pressure against the exchange and import controls — on the domestic side, from those who stood to profit by the release of controls, and on the foreign side, from the holders of "blocked sterling balances" and other capital-starved countries demanding imports. As a concession to these groups, it offered distinct advantages, more political than economic in character.

No Remedy for Dollar Shortage

From the narrower point of view, devaluation presented a means of correcting "the dollar shortage." This, however, it is incapable of doing. In a real sense, the dollar shortage is no more than a reflection of the world's need for American goods. Most other countries may be classed in one or the other of two needy groups — those never reaching an advanced state of industrial development and those sharply set back by the war; and as for the latter, it is now generally conceded that the Marshall Plan will not solve their problem by its terminal date in 1952. Now, devaluation, by reducing the volume of goods available in the devaluing countries, tends to complicate rather than correct the dollar shortage.

It is not so easy to increase dollar sales through devaluation as the theoretical price changes might indicate. In the first place, prices of British goods in our markets will not fall by anything like the 30 percent of the pound sterling devaluation. For many products, prices are monopolistically controlled and need not decline at all; for most others, the decline will depend upon a complicated series of relationships between producers, exporters, importers, and American distributors. Few are expected to decline by as much as 20 percent.

Second, lower prices will not necessarily increase the dollar value of imports. How value is affected depends on how much physical volume is increased by the lower prices. Purchases of many products already being imported, like British automobiles, may not be increased enough to maintain even the past level of receipts. The hope for a real gain lies in opening the door to more competitive manufactured products previously not imported because of relative price disadvantages; but such trade cannot be quickly developed.

On the other hand, our price level is unlikely to be affected, so that prices of our goods to British purchasers will be increased by more nearly the full 44 percent of the dollar revaluation. Since a large proportion of British imports are necessities, volume will tend to be maintained despite the price increase, making for an increase in the total value of purchases. The net gain in dollars is thus likely to be quite limited.

The devaluation may be more effective in capturing other world markets, and in this way may ultimately work toward resolution of the dollar shortage, which is really world-wide, and not confined to the devaluing countries. However, so much of the world has followed the devaluation that this tendency is moderated; and, at best, an extended period of time will be required to build the new lines of trade. Moreover, if our imports do not increase, other countries will not be able to obtain more goods here, but will merely be forced into greater dependence on Britain and the other industrial countries of Europe.

New Problems for Britain

The question of paramount importance here is whether the devaluing countries can deliver the goods; and no considerable margin of resources for production of export goods has been in evidence. In Britain, for example, unemployment of a quarter million was so low as to leave no slack in the labor force. Some further increase in production is probable, but not much. So the expansion of exports, required under devaluation to permit capital exports without loss of reserves, will largely have to be at the expense of consumption. As against the argument that future advantage will compensate this immediate sacrifice,

(Continued on page 6)

THE BICYCLE INDUSTRY

The United States has more bicycle riders than any other country in the world, and almost half of their 18.5 million bicycles were manufactured in postwar years.

Illinois is second only to Ohio in the production of bicycles, manufacturing almost 20 percent of the national output. All four of the State's bicycle manufacturers are located in the Chicago area, as are several firms manufacturing bicycle parts and accessories. One of the Illinois manufacturers, Arnold, Schwinn and Company, is the largest producer of bicycles in the nation.

Invented in 1816

The forerunner of the bicycle was a two-wheeled, cross-bar contrivance on which a man could sit and push himself along with his feet faster than he could walk. Invented by a Bavarian nobleman in 1816, this "hobby horse" became a popular novelty in European court circles but was too expensive to gain widespread use. About 1840 a Scotsman took up the idea, added cranks and foot pedals, and created the velocipede, a more practical means of mechanical transportation.

These early two-wheelers, despite the mechanical imperfections which caused them to be called "bone-shakers," gained popularity not only in Europe but in the United States, where they were imported at high cost. About 1870, speedsters took to the high-wheelers, the first all-metal bicycles. Daring riders perched five or six feet above the ground over a high front wheel which enabled the "scorchers" to tear along at ten miles an hour. These high-wheelers were extremely dangerous, and manufacturers continued to seek a wheel and gear arrangement that would increase control without sacrificing speed.

Finally, in 1885, the "safety" was produced in England and started the bicycle on its way to its present form and popularity. Radically different, its wheels were of nearly equal size, and security was obtained by using the front wheel for steering only. A chain drive transmitted power from the pedal to the rear wheel, combining speed and easy operation for the first time.

The Industry in America

The first bicycle manufacturing plant in America was set up in 1877, and hundreds of firms soon entered the field as cycling became the fashionable pastime of America's Gay Nineties. Its popularity took on the aspect of a mass craze. In those days bicycling was more than a sport; it was something new in transportation and it was not unusual for cyclers to make 50-mile journeys in a day. At the height of their popularity in 1899, over a million bicycles were produced, and the army even mounted several units on wheels.

Then, in 1900, the automobile captured the public fancy and the cycle craze was over as suddenly as it had begun. By 1905 only a few bicycle factories were still in operation. Ironically, it was the development of the bicycle that laid the groundwork for the "horseless carriage" and made possible the latter's almost immediate acceptance.

The demand for bicycles in the 19th century led to the invention of new and better machinery, better steels and rubber compounds, and more efficient manufacturing processes. Perhaps the most important contribution of the bicycle to the automobile was the pneumatic tire. Cycle makers also invented the differential gear, modern ball bearings, and free wheeling, as well as a simple type of transmission and gear shift.

By the 1920's the automobile had completely replaced the bicycle as a means of transportation, although the latter grew in popularity among children and adolescents. Through the first 30 years of this century adult riders steadily decreased until the bicycle slump hit its lowest point in the early 30's. Cheaper bicycles were the industry's only salvation, and so the children's market was developed and bicycles were made heavier and safer.

In 1932, with the whole nation in the depths of depression, bicycle manufacturers decided on a definite program for improving sales, and began a vigorous public relations campaign to popularize bicycling as a healthful and enjoyable sport. One of the leaders in this campaign was the Schwinn Company of Chicago, an outstanding firm in the industry since the early craze period and one of the few firms to survive the bicycle crash of 1900. The company streamlined its product, breaking from the standardized bicycle design that had remained almost unchanged since 1895. It also introduced the first bicycle balloon tire and started promotion of the lightweight bicycle for adult riders. The other companies followed this lead, and by 1936 the United States had almost reached the peak bicycle output of 1899.

By 1941, the industry was fully recovered and a total of one and a quarter million of the sleek, new-style wheels were manufactured, a new world's record. Many adults were finding that bicycling was not only fun but a wonderful form of outdoor exercise, and many parents began joining their children on bicycle hikes and picnics, sending production up until the start of World War II.

Postwar Interest

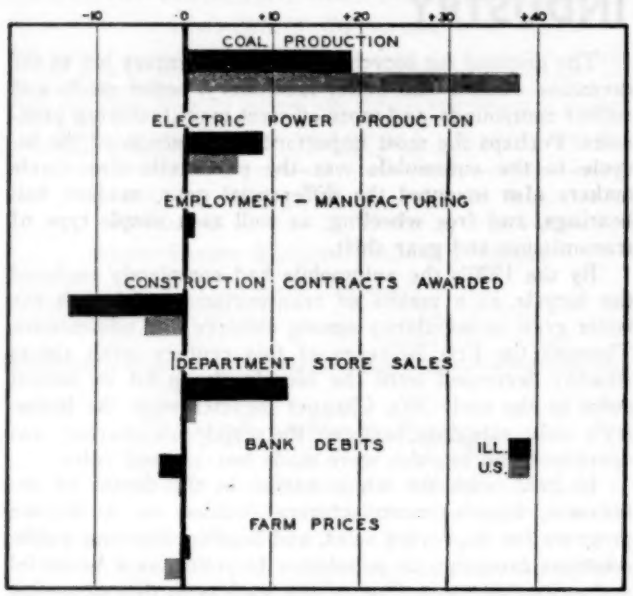
Wartime steel rationing and the reallocation of plant space almost completely paralyzed the bicycle industry for the next four years. Early in 1942 the War Production Board prohibited the manufacture of children's bicycles, and most of the few bikes manufactured went to workers in war production. Gas rationing caused thousands of Americans to realize the bicycle's utility, and by the end of the war its health, transportation, and enjoyment potentials had been rediscovered.

When the industry resumed production in 1946, the 1.8 million bicycles manufactured in that year couldn't begin to satisfy the market. The 1947 production of 2.9 million bicycles set a new record and approximately 2.7 million were produced last year. Although these high outputs are due in part to high incomes and accumulated demand, the bicycle seems to have gained permanent popularity after more than a century of development.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage Changes July, 1949, to August, 1949



ILLINOIS BUSINESS INDEXES

Items	August 1949 (1935-39 =100)	Percentage Change from July 1949	Percentage Change from Aug. 1948
Electric power[1]	260.5	+ 8.2	+ 4.2
Coal production[2]	95.2	+19.3	−33.6
Employment—manufacturing[3]	113.0	+ 0.8	−10.9
Payrolls—manufacturing[3]	261.4	+ 1.1	−11.5
Dept. store sales in Chicago[4]	226.4[a]	+12.1	− 7.5
Consumer prices in Chicago[5]	174.4	+ 0.3	− 2.5
Construction contracts awarded[6]	343.7	−13.1	−30.1
Bank debits[7]	260.6	− 2.0	− 4.7
Farm prices[8]	221.6	+ 0.4	−24.9
Life insurance sales (ordinary)[9]	157.3	− 3.6	− 4.0
Petroleum production[10]	249.8	+ 1.7	+ 0.3

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Coop. Crop Repts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol Survey.
[a] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	August 1949	Percentage Change from July 1949	Percentage Change from Aug. 1948
	Annual rate in billion $		
Personal income[1]	211.5[a]	+ 0.9	− 1.8
Manufacturing[1]			
Sales	206.4	+14.7	− 5.5
Inventories	29.1[b]	− 2.0	− 4.3
New construction activity[1]			
Private residential	7.9	+ 1.5	− 8.3
Private nonresidential	8.1	+ 2.4	− 8.0
Public nonresidential	6.4	+ 4.5	+13.1
Foreign trade[1]			
Merchandise exports	10.6	− 1.8	−11.2
Merchandise imports	5.9	+ 7.9	−19.0
Excess of exports	4.7	−11.8	+ 1.0
Consumer credit outstanding[2]			
Total credit	16.5[b]	+ 1.6	+10.3
Installment credit	9.6[b]	+ 3.0	+20.6
Business loans[2]	13.0[b]	+ 0.6	−12.7
Cash farm income[3]	29.3	+12.5	−11.5
	Indexes (1935-39 =100)		
Industrial production[2]			
Combined index	170[a]	+ 4.9	−11.0
Durable manufactures	194[a]	+ 4.9	−13.0
Nondurable manufactures	164[a]	+ 5.8	− 7.3
Minerals	128[a]	+ 4.1	−19.5
Manufacturing employment[4]			
Production workers	n.a.	....	....
Factory worker earnings[4]			
Average hours worked	104	+ 0.5	− 2.7
Average hourly earnings	234	− 0.6	+ 3.8
Average weekly earnings	244	− 0.1	+ 1.0
Construction contracts awarded[5]	383	− 4.0	+ 6.0
Department store sales[2]	282[a]	+ 1.1	− 8.7
Consumers' price index[4]	169	+ 0.2	− 3.3
Wholesale prices[4]			
All commodities	190	− 0.4	− 9.9
Farm products	214	− 2.3	−15.2
Foods	203	− 0.4	−15.4
Other	179	0.0	− 5.3
Farm prices[3]			
Received by farmers	229	− 1.6	−16.4
Paid by farmers	194	− 0.4	− 3.2
Parity ratio	101[c]	− 1.0	−13.7

[a] Seasonally adjusted. [b] As of end of month. [c] Based on official indexes, 1909-14 = 100.
[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
n.a. Not available.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1949					1948
	Sept. 24	Sept. 17	Sept. 10	Sept. 3	Aug. 27	Sept. 25
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,406	1,196	1,342	1,318	2,036	
Electric power by utilities mil. of kw-hr	5,556	5,579	5,258	5,544	5,523	5,461
Motor vehicles (Wards) number in thous.	150.8	152.2	117.7	138.8	148.5	92.2
Petroleum (daily avg.) thous. bbl.	4,375	4,845	4,851	4,762	4,717	5,343
Steel 1935-39 = 100	178.0	178.8	173.9	178.2	175.1	194.0
Freight carloadings thous. of cars	661	743	624	704	747	908
Department store sales 1935-39 = 100	292	315	273	295	252	319
Commodity prices, wholesale:						
All commodities 1926 = 100	154.1	154.6	152.7	152.4	151.9	169.5
Other than farm products and foods 1926 = 100	145.9	145.9	145.3	144.9	144.9	153.1
28 commodities August, 1939 = 100	247.9	252.5	250.8	250.2	247.6	309.4
Finance:						
Business loans mil. of dol.	13,289	13,171	13,007	12,965	12,942	15,201
Failures, commercial number	169	185	148	174	176	101

Source: *Survey of Current Business, Weekly Supplements.*

RECENT ECONOMIC CHANGES

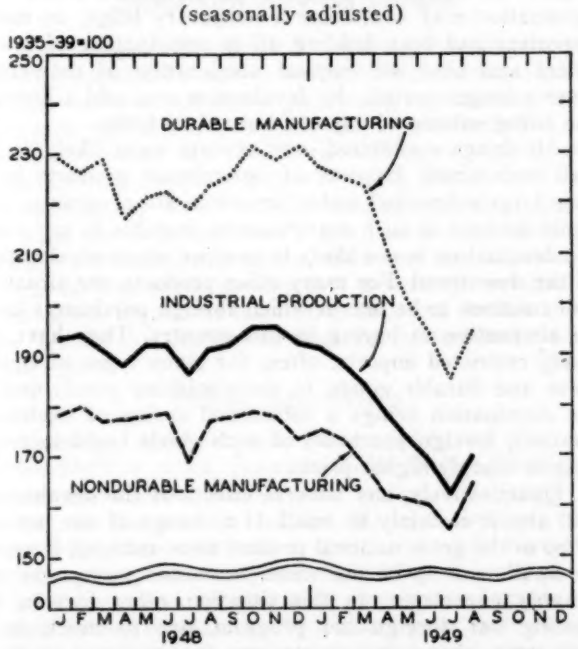
Production Remains High

Despite continued threats of work stoppages in major segments of industry, production during September maintained the level to which it rose in August; preliminary estimates by the Federal Reserve Board indicate production activity may even have gained somewhat during the month. The chart below shows the extent to which industrial production has slacked off since the peak of 195 percent of the 1935-39 average in November, 1948, and the degree to which the beginning of the fall pickup has raised production. It is worth noting that July's low of 162 was at least partially caused by the prevalence of plant-wide vacations for which the FRB's seasonal adjustments do not allow. The chart shows that a major component of the decline in industrial output was the sharp drop in durable goods manufacturing, which in turn reflected a severe cutback in steel production.

Manufacturers' Sales Rise

Manufacturers' sales turned back up in August after a sizable slump in July, rising from $15.0 billion to $17.2 billion, the highest level since March. Even though most of the gain was caused by seasonal factors, a large part of the increase reflects restored business optimism. After seasonal adjustments, durable goods sales in August were $600 million higher and totaled $7.3 billion. Sales of nonferrous metal products showed the greatest advance; only transportation equipment failed to show any improvement over July. In nondurables, sales rose in all groups, with a total increase of $400 million bringing aggregate sales to $9.9 billion. Inventories, however, continued the fall which started in February, dropping $550 million to $29.1 billion. The larger portion of the decline in book values was centered in durable goods inventories, which declined from $14.1 billion to $13.7 billion. Inventories of nondurable goods fell about $150 million to $15.4 billion.

INDUSTRIAL PRODUCTION
(seasonally adjusted)



Source: Federal Reserve Board.

Foreign Trade Gap Narrows

The difference between United States exports and imports was decreased still further in August, as exports fell another $16 million to a total of $880.5 million, and imports turned back up, rising $35 million to $490.6 million. Thus the trade gap was cut from $441 million to $390 million, the lowest point since November, 1948. Sizable decreases in shipments of machinery and vehicles, metals and metal manufactures, and edible animal products more than offset increased exports of food products and beverages and nonmetallic minerals. An increase in metals and metal manufactures accounted for more than half the gain in imports, with increased imports of wood and paper, and textile fibers and textile manufactures making up most of the remainder.

Farm and Consumers' Prices Hold

The farm price situation showed a gain in the month ended September 15 for the first time since mid-March. Small rises in prices for beef cattle and hogs were the main factors raising the index of prices received from 245 to 249 percent of the 1909-14 base, an increase of 1.6 percent. At the same time the index of prices paid by farmers dropped from 243 to 242, chiefly because of lower feed prices and building material prices. The parity ratio rose from 101 to 103, the level of June 15.

The consumers' price index rose fractionally in the month ended August 15, chiefly because of a slight rise in food prices, but remained substantially level with mid-July, moving only from 168.5 to 168.8 percent (1935-39 = 100). Minor rises also occurred in rents, fuel, electricity and refrigeration, and miscellaneous goods and services. Apparel prices continued the slow decline started in November, 1948; a 1.1 percent drop in housefurnishings prices marked the tenth month of decline in that group.

Labor Situation Unsettled

Much of the nation's attention has been centered since September 1 on the labor front. Strikes and walkouts intended to reinforce pension demands were threatened or occurred in such major industries as coal, steel, rubber, and automobiles. Refusal of several coal operators to continue contributions to the UMW welfare fund until a new contract was negotiated was cited as the cause of the walkout staged by 480,000 bituminous coal miners, who were later joined by 80,000 anthracite miners. In Illinois an estimated 23,000 UMW workers stayed away from their jobs; 15,000 Progressive Mine Workers, who normally produce about 20 percent of Illinois coal, continued to work. The first break in the strike came on September 30, when the anthracite miners and 22,000 bituminous workers in mines west of the Mississippi were ordered back to work.

Negotiations between steel workers and steel companies limped through the month and finally broke down on October 1 as 500,000 workers went on strike. Steel workers accepted the fact-finding board's recommendation for a pension and insurance plan which would add 10 cents an hour to labor costs, but the companies rejected the plan because of its noncontributory nature.

On the other hand, the threatened strike of 115,000 Ford workers was averted by an agreement with the UAW similar to that rejected in steel. The five-month old Hawaiian dock workers' strike was settled October 6 with a 10 percent wage boost. A 34-day strike of 16,000 Good-

rich rubber workers ended September 30 on the signing of a contract providing for a contributory pension-welfare plan but no increase in wages. And in Chicago the 22-month-old printers' strike ended with concessions substantially less than those demanded by the printers' union.

Unemployment as reported by the Bureau of the Census dropped by more than 300,000 from early August to early September. It may be seen from the table below (thousands of workers) that the declines in all groups reflect the customary autumn drop in the labor force caused by the return of students to school.

	September 1949	*August 1949*	*September 1948*
Civilian labor force	62,762	63,637	62,212
Employment	59,411	59,947	60,312
Agricultural	8,158	8,507	8,723
Nonagricultural	51,254	51,441	51,590
Unemployment	3,351	3,689	1,899

Housing Starts Up Again

After a sizable drop from June to July, the number of new nonfarm dwellings started rose again in August to a total of 98,000 units, 2,000 over July and more than 11,000 over August, 1948. In releasing August data, the Bureau of Labor Statistics pointed out that construction of new housing, in terms of units, during the summer months was the highest on record. An estimated 647,500 units were begun between January 1 and September 1 this year, less than 2 percent under the number started in the first eight months of 1948.

Devaluation Furor

(Continued from page 2)

it may be pointed out that accumulation of capital abroad does not guarantee a high standard of living for consumers in the United Kingdom any more than the existence of excess capacity at home guarantees a high level of production and employment.

For readers who are interested in considering these questions in greater detail we recommend the article by Professor Kleiner in the August issue of our quarterly, *Current Economic Comment.* (Copies free on request.)

What devaluation accomplishes with greater certainty than balancing international accounts is to increase inflationary pressures in the devaluing countries. With imported materials prices higher, costs of production will be up and prices cannot be held. With shortages intensified in a period when people have savings or other reserves to draw upon, domestic prices will tend to be bid up as well. Thus, devaluation is an inflationary measure imposed in an inflationary situation; and since any increases in export prices tend to offset the devaluation, a single adjustment, to suffice, had to be large enough to take account of future as well as past inflation.

With inflation comes another set of political pressures; and these are already in evidence. The Government's appeals for cooperation on prices are reminiscent of the post-decontrol exhortations in this country, often contemptuously referred to as "jaw-bone control" or "open-mouth operations." The main effort will be to hold the line on wages, a policy that concentrates the controversy within the Labor party. If it leads to widespread strikes and industrial conflict, the inflationary effects will be further aggravated. The devaluation can hardly be said to have solved Britain's problems. For us, it is unfortunate that we should let ourselves be put in the position of forcing a reduction in living standards on the British people.

Effects on the American Economy

In considering the effects on the American economy, it should be kept in mind that other countries want dollars, for the most part, not just to have dollars, but to use for purchases of goods in this country. Their needs for our goods are practically unlimited; and so there tends to be a direct relation between the dollars available for financing purchases and actual export sales.

During the past year, imports have provided funds to pay only 60 percent of our exports. Over three-fourths of the remainder has been covered by United States grants and loans. The very small remaining portion of our export balance involves capital transactions, including reductions of gold and dollar reserves. The part contributed by reserves had dwindled in 1948 to a fraction of its high 1947 level; and since these reserves had in large measure already been exhausted, our future exports were not greatly dependent upon them.

It is entirely possible that the devaluing countries will try for a time to rebuild their reserves. This is particularly true of Britain, which displays a special concern for reserves because of its controlling position in the sterling bloc. However, coming at a time when our foreign aid programs, including military assistance, will be at a peak, such a temporary movement into reserves should merely moderate the stimulating effects of foreign aid on our economy, and not entail any marked depressing effect. After the desired reserves have again been accumulated, available dollars will again be fully used for purchases of American goods.

In all probability, our imports will rise from the recent lows, but it would be fallacious to give devaluation anything like full credit for the increases. Imports had been rising through most of the postwar period, but had not yet recovered a normal volume in relation to business activity at the time they began to be curtailed by the recession. This was a recession based in large measure upon the desire of business to restrict its inventories, and imports were cut sharply, probably even more than domestic production. With the ending of the recession, imports would again have resumed the upward trend. The devaluation may contribute a temporary bulge, as many importers had been holding off in anticipation of lower prices and now will request acceleration of deliveries. Over a longer period, the devaluation may add a little to the rising volume of imports, but only a little.

All things considered, our exports seem likely to be well maintained. Exports of agricultural products have been largely financed under American aid programs; and while declines in such exports were probable in any case, the devaluation is not likely to produce sharp acceleration of the downtrend. For many other products, the situation will continue to be one in which foreign purchasers have no alternative to buying in this country. They have already restricted imports, often, for many types of equipment and durable goods, to the vanishing point; and if the devaluation brings a substantial easing of exchange controls, foreign purchases of such goods could increase despite sharply higher prices.

Quantitatively, any adverse effects of the devaluation will almost certainly be small. If a change of one percent or so in the gross national product were induced, it would be swallowed up in the wider economic swings we ordinarily experience. In this situation, other factors, including our foreign aid program, are so much more important, that our expectations for business need be little modified as a result of this action.

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Atomic Energy

The Cowles Commission for Research in Economics has been conducting a study of the economic aspects of atomic power. A discussion of its findings is contained in the July issue of the *Harvard Business Review,* in an article entitled "Atomic Power in Selected Industries." The Commission has concluded that the general effects of atomic power on the entire economy can be found only by an industry-by-industry analysis. Assuming that atomic power will appear commercially as electrical energy, the Commission studied the possible effects of its use in the following industries: aluminum, chlorine-caustic soda, phosphate fertilizer, cement, brick, flat glass, iron and steel, railroad transportation, and residential heating. In all these industries the cost of energy is an important element in total production costs. It is emphasized that possible results of using atomic electrical energy in any of the industries include cost reductions, changes in location because of geographical equalization of power costs, or different production techniques.

Business Aids

A recent *Small Business Aid,* No. 487, concerns "Guarding Against Embezzlement." Published by the Department of Commerce, the pamphlet reveals that businesses lose more than $400 million each year through employee thefts, with most of the shortages in the lower brackets. Loose and inefficient business practices are blamed for a majority of the losses, and controls are suggested to eliminate this hazard. Proper accounting systems and efficient office, factory, and warehouse methods are all essential safeguards in preventing thefts. The pamphlet contains examples of actual embezzlements and methods which could have prevented them.

Industrial Buying Habits

The National Industrial Advertising Association has recently published a survey on *Industrial Buying Habits.* Of interest to suppliers of goods and services to manufacturers, the study covers the ten biggest industries in the Northeastern and Southern industrial regions and is mainly concerned with plants having 500 or more employees. Among the industrial buying habits discussed are what starts buying, who starts purchasing, how suppliers are selected, the role of bids, and the importance of brands. The study reveals that most large purchasing departments request at least three bids and do less shopping around for equipment than for materials or component parts.

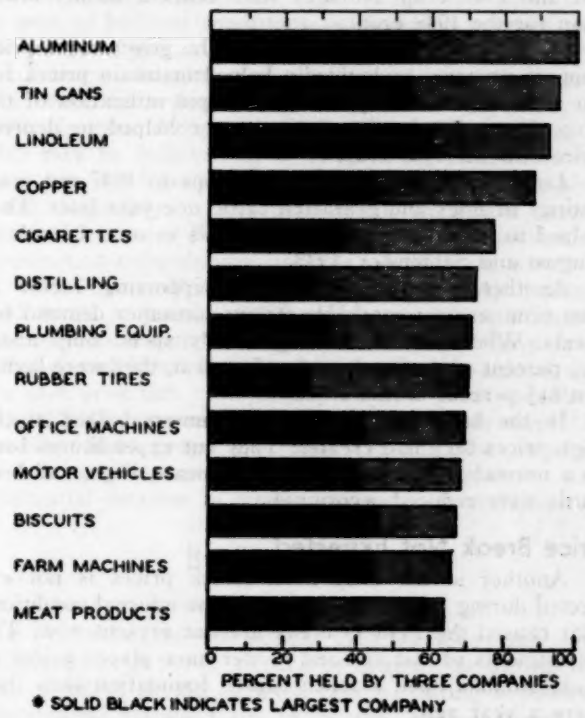
Public Speaking

A new and practical guide for improving one's "speech personality" is titled *How to Talk Well* (Whittlesey House, New York, $3.50). The author, Dr. James F. Bender, is the director of the National Institute for Human Relations. His book is designed to help businessmen learn to speak clearly and forcefully, an asset which he considers "one of the most important elements of success in the business world." The reader is to act as his own instructor in a private speech course containing many interesting exercises to help build good speech habits. Chapters on preparing speeches, acting as a chairman, and conquering platform jitters are likely to be of particular interest.

Concentration in Industry

The Federal Trade Commission has released its report to Congress on "Concentration of Productive Facilities." It discloses that in 1947, 46 percent of the total net capital assets of all manufacturing corporations in the United States was concentrated in the 113 largest manufacturers in the nation, each of which had assets in excess of $100 million. The 26 manufacturing industries studied were divided into groups of extreme, high, moderate, and low concentration, varying from the tin can industry, whose largest single company held 55 percent of the assets, to woolen and worsted goods, where the largest company held only 16 percent of the net assets. The Commission emphasized that in any one industry the degree of concentration is indicated by the importance of the three largest firms, with one often having a major share of control. The 13 most highly concentrated industries studied and the relative importance of the largest corporation in each are shown in the accompanying chart. A list of the largest corporations in each of the 26 industries, with the percentage of assets held, is included in the report.

CAPITAL ASSETS HELD BY LARGEST FIRMS IN HIGHLY CONCENTRATED INDUSTRIES



Source: Federal Trade Commission.

Personal Saving

An article on "Personal Saving in the Postwar Period" in the September *Survey of Current Business* points out that the increased rate of personal saving during the

(Continued on page 9)

AGRICULTURAL SITUATION AND OUTLOOK

L. H. SIMERL, Associate Professor of Agricultural Economics Extension

The farm outlook for 1950 is for abundant supplies, strong demand, and generally favorable prices for farm products. Farm expenses will remain high. Net incomes are expected to shrink only slightly.

Farm Prices and Production

Poor harvests in 1947, combined with postwar inflation, carried average prices of farm products to record high levels in January, 1948. Since that time growing conditions have been favorable and most price trends have been downward. The declines to September, 1949, averaged 19 percent. The decline for grains was much greater than average.

Total agricultural production in 1949 is expected to equal the record output of 1948. This includes both crops and livestock. It was 38 percent more than the average for the five prewar years of 1935-39.

Corn Prices Lower. The corn supply for 1949-50 is greater than for any previous year. It will total about 4.3 billion bushels. The 1949 corn crop is estimated at 3.5 billion bushels as compared with 3.65 for 1948. However, the 1949 carry-over was about 800 million bushels whereas that of a year earlier was less than 200 million bushels.

Larger supplies of corn, together with less attractive markets for livestock, milk, poultry and eggs, will combine to hold the market price of corn at lower levels than during the past year. The government price support level for the 1949 crop averages four cents a bushel lower than for the 1948 crop.

It is worthy of note that while the government price support program undoubtedly helped maintain prices for the 1948 corn it also prevented a rapid utilization of the crop. Then, the increased carry-over helped to depress prices for the 1949 crop.

Livestock Prices. Small feed crops in 1947 cut marketings of hogs and grain-fed cattle one year later. That helped to raise prices of meat animals to record levels in August and September, 1948.

Another very important price-supporting factor at that time was a remarkably strong consumer demand for meats. Whereas consumers generally spend only about 5½ percent of personal income for meat, they were laying out 6½ percent in mid-1948.

In the latter half of 1948 consumers balked at the high prices they had created. They cut expenditures back to a normal 5½ percent. Prices of meats, hogs, and beef cattle were reduced accordingly.

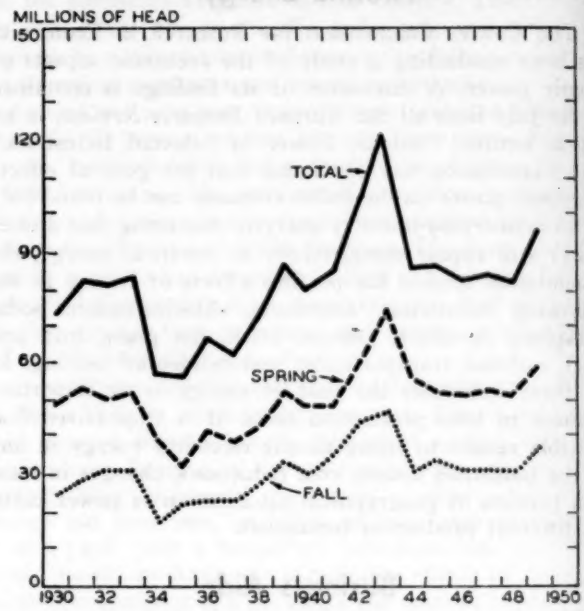
Price Break Not Expected

Another severe drop in livestock prices is not expected during the next 12 months. The unusual conditions that caused the 1948-49 break are not present now. The adjustments of last fall and winter have placed prices of meat animals upon a much firmer foundation than they were a year ago.

There are two factors that could bring lower prices in 1950. These are (1) an increase in meat supplies, and (2) a decrease in consumer demand. Total meat supplies are expected to increase moderately, perhaps 5 percent, in the year ahead. On the other hand, consumer demand is expected to grow stronger rather than weaker.

More Pork. Practically all of the expected increase in meat supplies will be in pork. Available reports on pigs saved and breeding intentions indicate that hog marketings during the next 10 months will be 12 to 14 percent greater than in the corresponding period of 1948-49. (See Chart 1.) If farmers continue their recent practice of selling hogs at lighter weights, the increase in pork production will be less than the increase in number of hogs marketed, probably amounting to only 10 to 12 percent. Standing alone, such an increase in pork supplies would cause hog prices to drop 15 to 20 percent.

Chart 1. SPRING AND FALL PIG CROPS



Source: U. S. Department of Agriculture.

The government has agreed to support the price of hogs through next March. The level of support is prescribed in terms of a national average price at the farm and changes in line with normal seasonal swings. Monthly support levels are as follows: November, $15.00 per hundredweight; December, $14.20; January, $14.90; February, $15.50; and March, $16.20. Corresponding prices for barrows and gilts at Midwestern markets average 50 to 75 cents higher.

After March any price support for hogs will be as authorized by the "Aiken" law or new legislation. The "Aiken" law would permit prices to be supported at any level up to 90 percent of parity. The actual level of support, if any, would depend largely upon the amount of money made available by Congress.

Beef and Veal. The production of beef and veal is not expected to increase in 1950. Beef cattle prices now are high in relation to prices of most other farm products. Farmers and ranchers want to produce more cattle; and, as Chart 2 shows, they made a start in 1948. They are holding back large numbers of heifers and young cows for breeding purposes. That will make more beef eventually but little or no increase in marketings for some time.

Successful livestock producers study normal seasonal price changes and plan to sell large numbers of animals during the months when prices average highest. The best markets for high-quality grain-fed steers usually develop in the late summer or early fall. Late winter and early

spring usually are the best times to sell low-quality cattle that have been fed mostly on roughages. For hogs the highest prices usually occur in August, September, and October, and February, March, and April.

Heavy marketings of hogs this year and lower pork prices would also cause a small decline in prices of beef cattle. This decline might amount to one or two dollars per hundred pounds. There is now no price support program for beef cattle and none is expected in 1950.

Lamb and Mutton. The production of lamb and mutton has dropped more than one-third during the past four years. It is expected to drop still further in 1950. No large price changes can be predicted at this time.

Poultry and Eggs. Egg production has been stabilized at about 55½ billion eggs annually for the past four years. A small increase in production and a moderate decline in average prices are expected in 1950.

Chicken production increased considerably this year and probably will show another moderate increase in 1950. Turkey production in 1949 is estimated to be 29 percent greater than in 1948. Prices for chickens and turkeys have already been cut about one-fourth from 1948 levels.

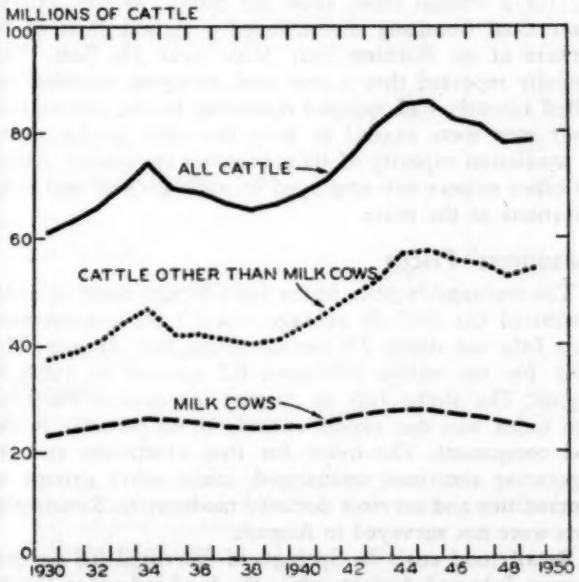
Milk. Milk production usually does not change much from year to year. In 1949, good pastures and heavier feeding brought greater production per cow; so recent rates of production have been about the same as in 1948 despite a slight reduction in the number of cows. Prices received by Illinois farmers in September averaged $3.50 per hundredweight. That was a reduction of about one-fourth from the corresponding price a year earlier.

Near normal seasonal variations in milk production and prices are expected in 1950. Otherwise no substantial changes in production or prices are foreseen.

Demand and Cost Factors

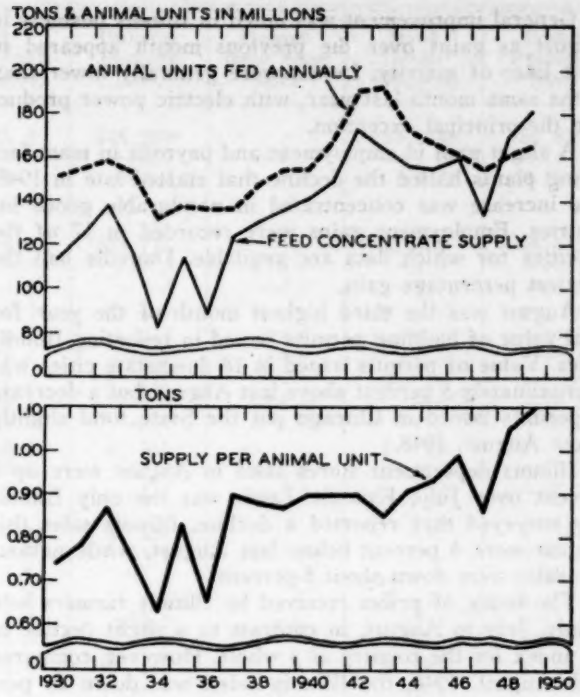
Much of this article has been given over to a discussion of prospective changes in supplies of meat animals and other farm products. However, only about one-third of the changes in prices of farm products can be accounted for by changes in supplies. The other two-thirds

Chart 2. NUMBER OF CATTLE ON FARMS
(beginning of year)



Source: U. S. Department of Agriculture.

Chart 3. FEED CONCENTRATE SUPPLY PER ANIMAL UNIT



Source: U. S. Department of Agriculture.

of the price changes are caused by changes in demand. Therefore the outlook for agriculture is always dominated by general business conditions, employment, payrolls, and consumer income.

Consumer incomes and consumer demand for meats and other farm products are expected to be strong in 1950. No general depression is in sight. The recession of 1949 may be followed by a boom in 1950. Reasons for these views will not be repeated here since they have been given frequently in this publication. Important among them are recovery from inventory liquidation, increasing government expenditures, and the construction boom.

Farm Costs. Prices of things farmers buy reached peak levels in January, 1948, and have shown no important reduction since that time. Feed prices have been reduced, and Chart 3 shows that supplies per animal unit are at a peak this year. It may also be easier to secure dependable labor now that the labor market has eased. On the other hand, property taxes and certain other items of expense are increasing. There is little prospect for any substantial decrease in farm operating costs in 1950.

Business Briefs

(Continued from page 7)

past year was closer to normal than the lower rate prevailing in 1947. After an unprecedented rise during the war, personal saving declined rapidly, hitting a postwar low in 1947 despite a rise in income. The rate went up again in the latter half of 1947 and has risen to 8 percent of disposable income. It is believed that any large changes in economic activity in the immediate future are more likely to be caused by alterations in the amount of private investment or the government fiscal position than by changes in the rate of personal saving, which has remained fairly stable since the third quarter of 1948 and may be leveling off.

LOCAL ILLINOIS DEVELOPMENTS

General improvement was noted in Illinois business in August as gains over the previous month appeared in most lines of activity. Levels were generally lower than in the same month last year, with electric power production the principal exception.

A slight gain in employment and payrolls in manufacturing plants halted the decline that started late in 1948. The increase was concentrated in nondurable goods industries. Employment gains were recorded in 17 of the 26 cities for which data are available. Danville had the greatest percentage gain.

August was the third highest month of the year for total value of building permits issued in reporting Illinois cities. Value of permits issued in 18 downstate cities was approximately 5 percent above last August, but a decrease in permits issued in Chicago put the State total slightly below August, 1948.

Illinois department stores sales in August were up 8 percent over July. East St. Louis was the only Illinois city surveyed that reported a decline. Illinois sales this August were 4 percent below last August, while nationally sales were down about 5 percent.

The index of prices received by Illinois farmers held steady, July to August, in contrast to a slight decline in the index for the country as a whole. However, compared with August, 1948, the Illinois index was down 25 percent while the national index was down 16 percent.

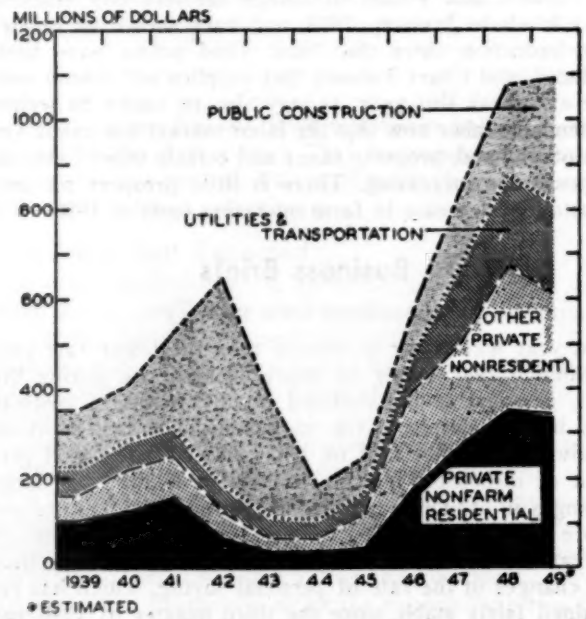
Value of New Construction in Illinois

Total value of new construction put in place in Illinois during 1949 is expected to exceed the 1948 total. The estimate is based on a comparison of building activity for the first six months of this year with the construction done in the same period last year and adjusted in accordance with recent national data. The accompanying chart shows the value of new construction put in place in Illinois, annually, since 1939.

The total value of new construction put in place in Illinois during the first six months of 1949 was 5 percent greater than during the same period last year, according to a recent report of the Department of Commerce. Expanded construction by public utilities and transportation companies and increased public construction offset the slump in private residential and nonresidential building which occurred during the second quarter of 1949.

It is expected that public construction will continue at a high rate the remainder of the year and cause the total value of 1949 construction to exceed that of 1948. Nationally, the physical volume of new construction is expected to show a larger increase over 1948 as a result of reduced building costs. Complete building cost data for Illinois are not available, but the north central regional office of the Bureau of Labor Statistics reports a decrease in Chicago's building costs, the first since the war. The recent decline was attributed to lower material costs, chiefly in lumber products.

NEW CONSTRUCTION IN ILLINOIS



Source: U. S. Department of Commerce.

Coal Production

August coal production was up 19 percent over July but was 33 percent less than last August. Data on the amount of coal mined in September are not yet available to show the effect of the strike. Many miners, idled by the strike, were reported seeking temporary jobs.

The effect of the coal strike reached almost immediately to Illinois railroad workers. By the end of the first week of the strike some 380 southern Illinois railroad workers had been laid off and it was indicated more would be affected as the strike continued.

A survey of the effect of the coal strike on industrial activity showed that industry in the Chicago area was well fortified with fuel stocks to withstand the initial impact of the coal strike and the threatened walkout of the steelworkers. Manufacturing plants, utilities, and municipal service departments reported ample supplies of coal to maintain operations for several weeks at least. Nearly all industry in the area was reported to be in a substantially better position on supplies than at any time just before a nation-wide strike in the past.

Some Illinois coal miners were made idle in September, for a reason other than the strike, as the Truax-Traer Coal Company discontinued a second shift of 85 workers at its Burning Star Mine near De Soto. The company reported that a new coal stripping machine installed recently had speeded operation to the extent that fewer men were needed to keep the mine producing at the maximum capacity of its processing equipment. About 300 other miners are employed in underground and strip operations at the mine.

Consumers' Prices

The consumer's price index for Chicago stood at 174.4 percent of the 1935-39 average — a 0.3 percent increase from July but down 2.5 percent from last August. The index for the nation increased 0.2 percent to 168.8 in August. The slight July to August increase in the Chicago index was due almost entirely to an increase in the food component. The index for fuel, electricity and refrigeration remained unchanged, while other groups of commodities and services declined moderately. Residential rents were not surveyed in August.

Retail food costs in Springfield increased 0.8 percent between July and August, while the food index for Peoria edged up only 0.1 percent.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES
AUGUST, 1949

	Manufacturing[1] Employment & Payrolls (Indexes 1935-39 = 100)		Building Permits[1] (000)	Department Store Sales[2]	Bank Debits[2] (000,000)	Postal Receipts[3] (000)
ILLINOIS	**113.0**	**261.4**	**$18,990[a]**		**$8,125[a]**	**$9,839[a]**
Percentage Change from July, 1949	*+0.8*	*+1.1*	*+35.4*	*+8.1*	*−2.0*	*+14.3*
Percentage Change from Aug., 1948	*−10.9*	*−11.5*	*−1.2*	*−4.4*	*−4.7*	*+16.2*
NORTHERN ILLINOIS						
Chicago	**111.0**	**258.5**	**$13,777**		**$7,385**	**$8,673**
Percentage Change from July, 1949	*+0.2*	*+0.9*	*+42.0*	*+16.6*	*−1.9*	*+14.5*
Percentage Change from Aug., 1948	*−12.5*	*−14.1*	*−3.3*	*−4.4*	*−4.7*	*+16.3*
Aurora	**120.0**	**294.7**	**$ 367**		**$ 31**	**$ 67**
Percentage Change from July, 1949	*−1.9*	*−1.0*	*+30.3*	*+9.9*	*−4.3*	*+13.3*
Percentage Change from Aug., 1948	*−13.5*	*−19.2*	*+80.9*	*−7.8*	*−9.3*	*+10.3*
Elgin	**97.7**	**217.7**	**$ 127**		**$ 21**	**$ 56**
Percentage Change from July, 1949	*+3.9*	*+10.3*	*−30.5*	*+16.1*	*−0.6*	*+16.0*
Percentage Change from Aug., 1948	*−5.5*	*−14.9*	*−3.4*	*−6.0*	*−7.3*	*+12.2*
Joliet	**98.9**	**238.0**	**$ 249**		**$ 36**	**$ 61**
Percentage Change from July, 1949	*−1.3*	*−6.2*	*−69.3*	*+12.8*	*−0.3*	*+39.7*
Percentage Change from Aug., 1948	*−10.8*	*−15.9*	*−6.8*	*−4.9*	*−5.9*	*+48.6*
Kankakee	**117.3**	**319.4**	**$ 139**		n.a.	**$ 27**
Percentage Change from July, 1949	*+2.2*	*+2.9*	*−29.0*	*+16.9*		*+31.1*
Percentage Change from Aug., 1948	*−26.9*	*−25.5*	*−7.4*	*−9.3*		*+18.2*
Rock Island-Moline	**124.9**	**294.5**	**$ 415[b]**		**$ 25[c]**	**$ 131**
Percentage Change from July, 1949	*+0.9*	*−2.4*	*+38.6*	n.a.	*−9.1*	*+42.7*
Percentage Change from Aug., 1948	*+7.3*	*+9.2*	*−5.0*		*−8.0*	*+18.5*
Rockford	**132.4**	**332.6**	**$ 550**		**$ 82**	**$ 123**
Percentage Change from July, 1949	*+1.1*	*+4.8*	*+144.7*	*+10.5*	*−0.9*	*+7.1*
Percentage Change from Aug., 1948	*−11.5*	*−16.8*	*+7.7*	*−10.5*	*−11.2*	*+11.8*
CENTRAL ILLINOIS						
Bloomington	**82.7**	**185.4**	**$ 71**		**$ 36**	**$ 68**
Percentage Change from July, 1949	*−1.4*	*−5.7*	*−73.5*	n.a.	*−6.2*	*+31.9*
Percentage Change from Aug., 1948	*−20.7*	*−17.5*	*−27.4*		*−4.3*	*+31.1*
Champaign-Urbana	n.a.	n.a.	**$ 790**		**$ 35**	**$ 57**
Percentage Change from July, 1949	*−0.4*	*+2.9*	*+339.4*	*+16.0*	*−8.4*	*+20.4*
Percentage Change from Aug., 1948	n.a.	n.a.	*+219.1*	*−2.7*	*−4.3*	*+31.0*
Danville	**72.6**	**209.5**	**$ 73**		**$ 31**	**$ 47**
Percentage Change from July, 1949	*+14.3*	*+20.9*	*−44.0*	*−2.6*	*−10.5*	*+35.7*
Percentage Change from Aug., 1948	*−7.2*	*+6.7*	*−62.7*	*−7.4*	*−10.9*	*+25.2*
Decatur	**109.4**	**285.0**	**$ 315**		**$ 67**	**$ 65**
Percentage Change from July, 1949	*+4.1*	*+6.1*	*−19.8*	*+15.8*	*−4.0*	*−3.3*
Percentage Change from Aug., 1948	*−6.7*	*−0.4*	*−62.1*	*−5.0*	*+12.0*	*+16.3*
Galesburg	n.a.	n.a.	**$ 191**		n.a.	**$ 24**
Percentage Change from July, 1949	*−7.7*	*−5.5*	*+19.6*	n.a.		*+6.1*
Percentage Change from Aug., 1948	n.a.	n.a.	*+31.1*			*+4.0*
Peoria	**151.6**	**312.8**	**$ 692**		**$ 149**	**$ 136**
Percentage Change from July, 1949	*−1.1*	*−2.0*	*+113.4*	*+2.0*	*−7.5*	*−2.0*
Percentage Change from Aug., 1948	*+1.5*	*+5.9*	*+28.4*	*−4.8*	*−6.4*	*+10.4*
Quincy	**91.8**	**191.7**	**$ 235**		**$ 27**	**$ 60**
Percentage Change from July, 1949	*−13.8*	*−9.9*	*+165.0*	*+10.0*	*−3.1*	*+3.3*
Percentage Change from Aug., 1948	*−31.9*	*−30.9*	*+7.8*	*−3.0*	*−4.4*	*+17.4*
Springfield	**204.0**	**510.2**	**$ 350**		**$ 65**	**$ 156**
Percentage Change from July, 1949	*−1.7*	*+1.7*	*−22.2*	*+5.7*	*−4.4*	*+4.2*
Percentage Change from Aug., 1948	*−32.7*	*−30.9*	*−15.2*	*−8.0*	*−5.6*	*+4.6*
SOUTHERN ILLINOIS						
East St. Louis	**109.4**	**218.9**	**$ 421**		**$ 113**	**$ 40**
Percentage Change from July, 1949	*−1.5*	*−5.6*	*+277.4*	*−3.0*	*+7.2*	*−6.8*
Percentage Change from Aug., 1948	*−13.3*	*−12.6*	*+204.7*	*−2.0*	*−3.2*	*+12.6*
Alton	**163.8**	**436.6**	**$ 145**		**$ 22**	**$ 22**
Percentage Change from July, 1949	*+0.1*	*−1.3*	*−5.2*	n.a.	*+3.6*	*+1.8*
Percentage Change from Aug., 1948	*−11.8*	*−6.3*	*−38.5*		*−3.2*	*+18.8*
Belleville	**82.2**	**206.0**	**$ 82**		n.a.	**$ 26**
Percentage Change from July, 1949	*+2.6*	*−3.7*	*+29.3*	n.a.		*+7.6*
Percentage Change from Aug., 1948	*−1.3*	*−5.0*	*−62.1*			*+1.2*

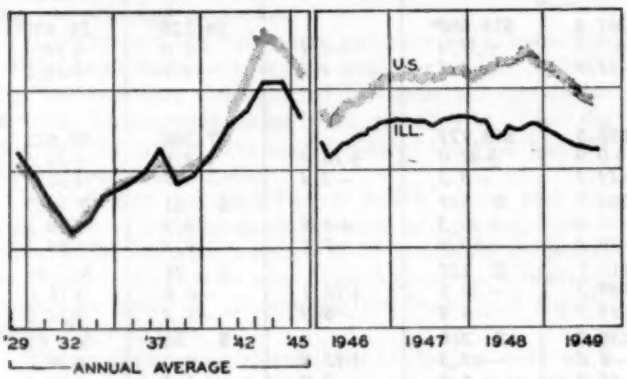
Sources: [1] Illinois Department of Labor. Data on employment and payrolls include plants in areas surrounding designated cities. [2] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. [3] Local post office reports.

[a] Total for cities listed.
[b] Rock Island only.
[c] Moline only.
n.a. Not available.

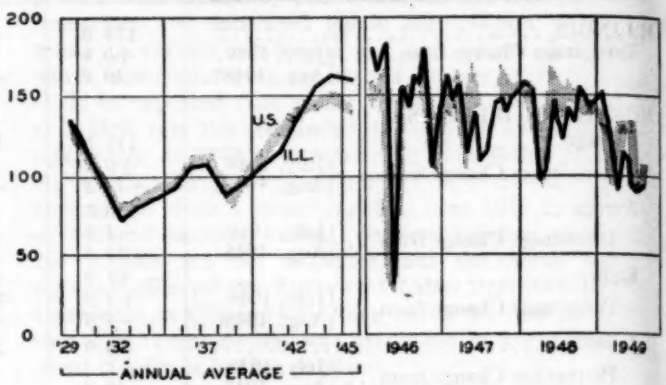
INDEXES OF BUSINESS ACTIVITY

1935-1939 = 100

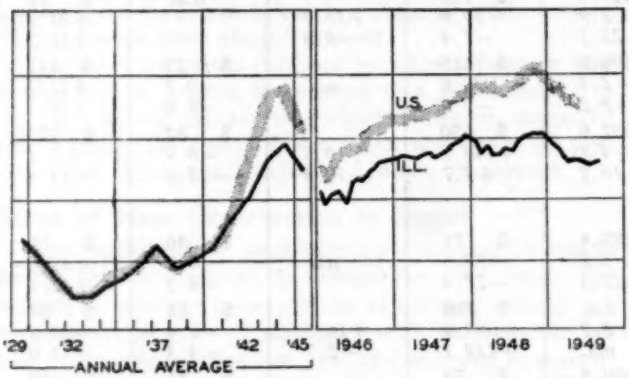
EMPLOYMENT–MANUFACTURING



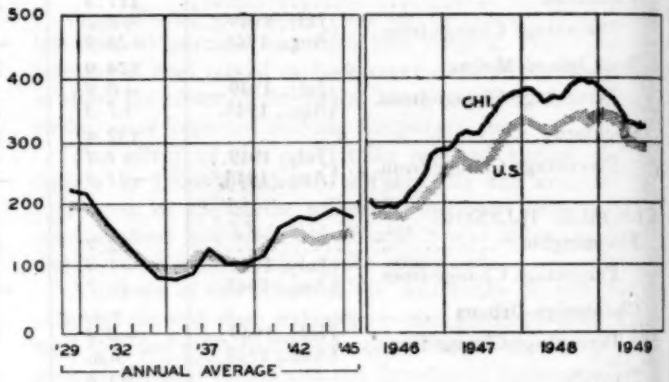
COAL PRODUCTION



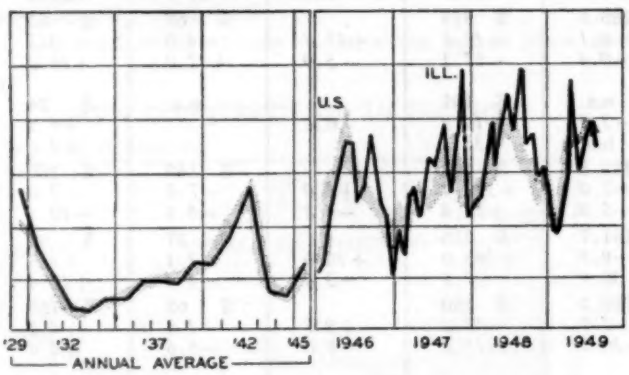
PAYROLLS–MANUFACTURING



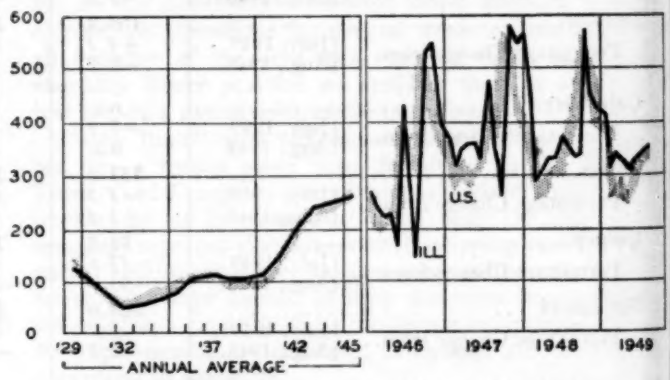
BUSINESS LOANS



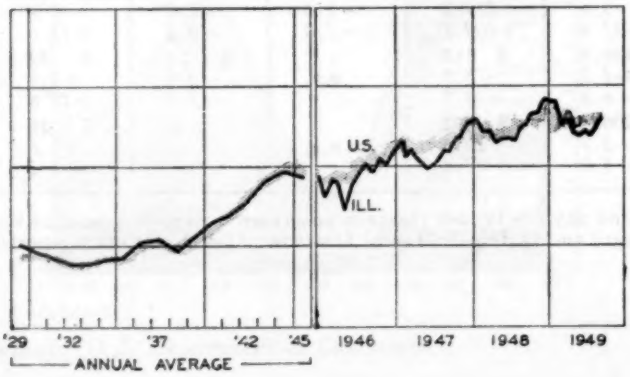
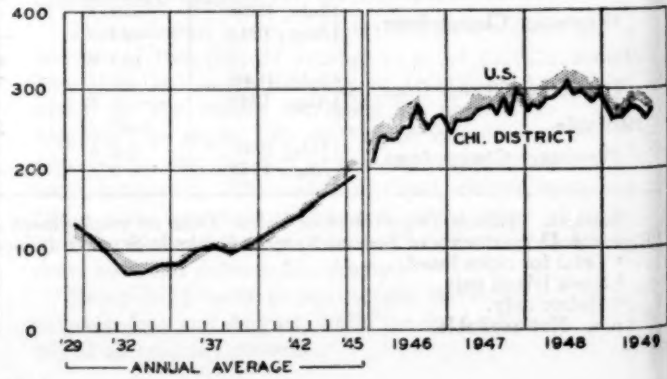
CONSTRUCTION CONTRACTS AWARDED



CASH FARM INCOME



ELECTRIC POWER PRODUCTION



DEPARTMENT STORE SALES